Eco World Development (ECW MK)

1QFY26: In Line; Local SMEs Drive EBP7's Sales Momentum

	BUY(Maintained)
Share Price	RM2.10
Target Price	RM2.70
Upside	28.6%

Analyst(s)
Ng Jo Yee
joyee@uobkayhian.com
+603 2147 1984

Highlights

- 1QFY26 results were in line. Net gearing improved to 0.17x from 0.28x.
- 4MFY26 sales of RM2.1b were ahead of its full-year sales target of RM4b, aided by strong take up from the EBP7 and Eco Botanic 3 launches. Unbilled sales rose to RM5.1b as of end-1QFY26 (vs RM4.9b as of end-4QFY25).
- Maintain BUY with a target price of RM2.70, implying a FY26-27 PE of 14-16x supported by 20% three-year CAGR over FY25-28.

1QFY26 Results

Year to 31 Oct (RMm)	1QFY26 (RMm)	4QFY25 (RMm)	1QFY25 (RMm)	qoq % chg	yoy % chg
Revenue	1,353.6	750.8	539.6	80.3	150.8
Gross Profit	346.7	286.4	153.2	21.1	126.3
Opex	(122.9)	(126.8)	(59.2)	(3.1)	107.7
EBIT	257.2	190.9	118.3	34.8	117.5
Net Interest	(32.4)	(30.0)	(28.2)	8.2	15.1
Shares of JV & Associates	(0.7)	12.2	13.8	(106.1)	(105.4)
PBT	224.1	134.1	103.9	67.0	115.6
Taxation	(58.5)	(39.0)	(23.6)	49.9	148.0
PATAMI	156.4	126.7	80.3	23.4	94.7
Core PATAMI	156.1	124.1	79.3	25.7	96.8
Margin	%	%	%	ppt	ppt
EBIT margin (%)	19.0	25.4	21.9	(6.4)	(2.9)
Core PATAMI margin (%)	11.5	16.5	14.7	(5.0)	(3.2)

Source: Eco World Development, UOB Kay Hian

Analysis

- **In line.** Eco World Development (ECW) reported a 1QFY26 core PATAMI of RM156m (+25.7% qoq; +96.8% yoy) on a revenue of RM1,354m (+80.3% qoq; +150.8% yoy). 1QFY26 core PATAMI represents 29% of our and consensus full-year earnings estimates, which we deem in line due to the completion of two data centre land sales during the quarter. Unbilled sales increased to RM5.1b as of end-Jan 26 (vs RM4.9b as of end-Oct 25). Net gearing declined to 0.17x as of end-Jan 26 (vs 0.28x as of end-Oct 25).
- **Declared a dividend of 2 sen for 1QFY26** (1QFY25/4QFY25: 1/2 sen).

Key Financials

Year to 31 Oct (RMm)	FY24	FY25	FY26F	FY27F	FY28F
Net turnover	2,258	2,931	3,604	4,009	4,440
EBITDA	490	799	904	1,012	1,114
Operating profit	468	771	865	962	1,043
Net profit (rep./act.)	304	438	539	623	724
Net profit (adj.)	354	418	539	623	724
EPS (sen)	11.5	13.0	16.8	19.4	22.6
PE (x)	18.3	16.1	12.5	10.8	9.3
P/B (x)	1.3	1.0	1.0	1.0	0.9
EV/EBITDA (x)	6.9	5.3	5.1	5.0	5.0
Dividend yield (%)	2.9	3.3	3.9	4.5	5.3
Net margin (%)	15.7	14.3	15.0	15.5	16.3
Net debt/(cash) to equity (%)	18.4	28.1	33.1	38.2	42.8
Interest cover (x)	4.2	6.0	4.7	5.0	5.2
ROE (%)	6.6	8.3	9.9	11.2	12.6
Consensus net profit	-	-	544	533	608
UOBKH/Consensus (x)	-	-	1.0	1.2	1.2

Source: Eco World Development, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Real Estate
Bloomberg ticker:	ECW MK
Shares issued (m):	3,220.6
Market cap (RMm):	6,763.4
Market cap (US$m):	1,722.4
3-mth avg daily t'over (US$m):	1.6

Price Performance (%)

52-week high/low				RM2.3/RM1.52
1mth	3mth	6mth	1yr	YTD
(5.0)	0.5	(0.9)	20.7	0.5

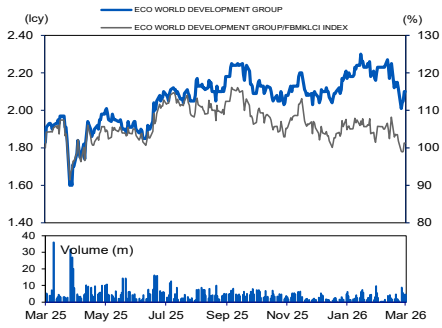
Major Shareholders %

Sinarmas Harta Sdn Bhd	30.1
Liew Tian Xiong	6.7
Eco World Development Holdings	5.3
EPF	4.5

Balance Sheet Metrics %

FY26 NAV/Share (RM)	2.13
FY26 Net Debt/Share (RM)	0.81

Price Chart



Source: Bloomberg

Company Description

Property developer with exposure in the Klang Valley, Iskandar Malaysia and Penang.

- **Strong sales driven by launches of EBP7 and Eco Botanic 3.** ECW recorded RM2.1b sales in 4MFY26 (+7% yoy), representing 52% of its RM4b full-year sales target and slightly ahead of 43% of our FY26 sales forecast of RM4.8b (+6% yoy). This is driven by a strong demand for EBP7, which contributed RM688m of sales following its initial launch in Nov 25. 4MFY26 residential and commercial sales recorded at RM1.3b (+40% yoy), underpinned by stronger townships sales (+93% yoy to RM812m), led by Eco Botanic 3 (sales: RM410m). Looking ahead, planned launches are Chateau II at Eco Botanic, Sa.Young 3 at Eco Botanic 2, Santai 3 at Eco Spring, and terrace homes and shop offices at Eco Radiance.
- **EBP7 sales momentum driven by SME demand.** Management highlighted that the strong sales at EBP7 (remaining GDV: RM2.26b) were largely driven by Phase 1 and 2 offerings of cluster and semi-detached factories, as well as 1-5 acre of industrial lands. This was achieved without any large-tract land sales, unlike the RM960m data centre land sales recorded in the same quarter last year (1QFY25). Demand for EBP7 has been primarily from local end-users and repeat customers, with a small contribution from property investors. To better align with the strong local SMEs demand, ECW has revised its masterplan to expand allocation for SME Core segments. Meanwhile, current enquiries for the larger land tracts are mainly from players in the renewable energy, automotive sectors as well as several hyperscalers.
- **DC land sale recognition lifted 1QFY26 earnings.** 1QFY26 revenue and gross profit jumped to RM1.3b (+150.8% yoy) and RM346.7m (+126.3% yoy), driven by the recognition of data centre land sales: a) 138.5 acres to Microsoft at EBP1, and b) 58.1 acres to Pearl Computing at EBP5. The total land sale proceeds from these two transactions amounted to RM960m. Of this, we estimate RM750m of revenue was recognised in 1QFY26 while the remaining RM210m will be recognised progressively as infrastructure work at EBP1 are completed. Together with the remaining QUANTUM land sale revenue of RM214m to be recognised, this implies approximately RM424m of remaining DC land sale to be recognised in the remaining quarters (vs RM750m in 1QFY26), based on our estimates.
- **Expect gross margin to improve sequentially.** Gross profit margin declined yoy to 25.6% in 1QFY26 (vs 28.4% in 1QFY25) due to: a) timing of project completion, b) more duduk apartments being constructed this quarter, and c) more conservative cost provisions for ongoing phases amid higher input costs. Nevertheless, we expect margins to improve in the coming quarters as higher margin industrial sales from EBP7 are being recognised progressively.

Valuation/Recommendation

- **Maintain BUY with target price of RM2.70.** Our target price is based on a discount to RNAV of 25% and implies 1.3x FY26-27F P/B (+2SD to 10-year mean: 0.7x) and 16.1x FY26F PE and 13.9x FY27F PE. This is supported by strong earnings three-year CAGR of 20% over FY25-28 and an improvement in earnings quality from the inclusion of recurring data centre rental income. We like EcoWorld for its solid earnings visibility and fast landbank turnover, particularly in the industrial segment for EBP7 and EBP8.

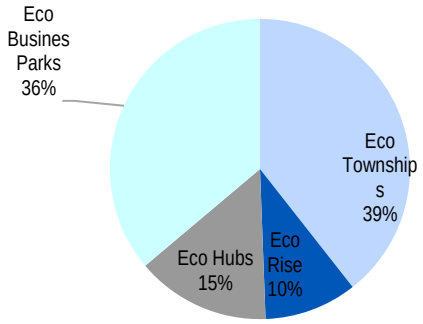
Earnings Revision/Risk

- No change to earnings forecasts.

Environmental, Social, Governance (ESG)

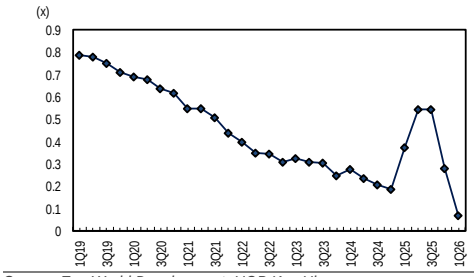
- Environmental - 36% reduction in Scope 2 GHG emissions (market electricity) from FY19 to FY24.
- Social - 100% of ECW's suppliers for building materials and main contractors are local.
- Governance - Good company transparency along with an Anti-Bribery and Anti-Corruption Policy.

4MFY26 Sales Contribution By Revenue Pillars



Source: Eco World Development, UOB Kay Hian

Net Gearing Level



Source: Eco World Development, UOB Kay Hian

One-year Forward P/B Band

Source: Eco World Development, UOB Kay Hian

EBP VII Revised Masterplan & Zoning

Source: Eco World Development, UOB Kay Hian

Profit & Loss

Year to 31 Oct (RMm)	FY25	FY26F	FY27F	FY28F
Net turnover	2,931	3,604	4,009	4,440
EBITDA	799	904	1,012	1,114
Deprec. & amort.	28	39	50	71
EBIT	771	865	962	1,043
Associate contributions	45	75	117	188
Net interest income/(expense)	(132)	(191)	(203)	(214)
Pre-tax profit	616	749	876	1,017
Tax	(171)	(202)	(245)	(285)
Minorities	(7)	(8)	(8)	(8)
Net profit	438	539	623	724
Net profit (adj.)	418	539	623	724

Balance Sheet

Year to 31 Oct (RMm)	FY25	FY26F	FY27F	FY28F
Fixed assets	161	514	665	816
Other LT assets	7,622	8,198	8,814	9,503
Cash/ST investment	2,283	2,130	1,927	1,703
Other current assets	3,409	3,658	3,808	3,967
Total assets	13,475	14,499	15,213	15,988
ST debt	497	397	297	197
Other current liabilities	2,582	3,098	3,260	3,431
LT debt	3,537	3,887	4,237	4,587
Other LT liabilities	3,698	4,114	4,176	4,247
Shareholders' equity	6,240	6,506	6,816	7,177
Minority interest	-	(8)	(16)	(24)
Total liabilities & equity	13,475	14,499	15,213	15,988

Cash Flow

Year to 31 Oct (RMm)	FY25	FY26F	FY27F	FY28F
Operating	907	733	756	817
Pre-tax profit	616	749	876	1,017
Tax	(200)	(202)	(245)	(285)
Deprec. & amort.	28	39	50	71
Associates	(45)	(75)	(117)	(188)
Working capital changes	749	31	(11)	(12)
Other operating cashflows	(240)	191	203	214
Investing	(2,236)	(680)	(700)	(722)
Capex (growth)	(1,088)	(500)	(500)	(500)
Capex (maintenance)	(270)	(180)	(200)	(222)
Investments	(99)	-	-	-
Proceeds from sale of assets	-	-	-	-
Others	(779)	-	-	-
Financing	1,453	(205)	(258)	(319)
Dividend payments	(225)	(264)	(305)	(355)
Issue of shares	5	-	-	-
Proceeds from borrowings	1,776	250	250	250
Others/interest paid	(103)	(191)	(203)	(214)
Net cash inflow (outflow)	125	(153)	(203)	(224)
Beginning cash & cash equivalent	1,357	2,283	2,130	1,927
Changes due to forex impact	801	-	-	-
Ending cash & cash equivalent	2,283	2,130	1,927	1,703

Key Metrics

Year to 31 Oct (%)	FY25	FY26F	FY27F	FY28F
Profitability				
EBITDA margin	27.3	25.1	25.2	25.1
Pre-tax margin	21.0	20.8	21.8	22.9
Net margin	14.9	15.0	15.5	16.3
ROA	3.6	4.3	4.8	5.4
ROE	8.3	9.9	11.2	12.6
Growth				
Turnover	29.8	23.0	11.2	10.7
EBITDA	63.0	13.1	12.0	10.1
Pre-tax profit	51.4	21.6	16.9	16.2
Net profit	44.3	23.0	15.5	16.4
Net profit (adj.)	17.9	29.0	15.5	16.4
EPS	13.4	29.0	15.5	16.4
Leverage				
Debt to total capital	64.7	65.9	66.7	66.9
Debt to equity	64.7	65.9	66.5	66.7
Net debt/(cash) to equity	28.1	33.1	38.3	42.9
Interest cover (x)	6.0	4.7	5.0	5.2

IMPORTANT NOTICE - DISCLOSURES AND DISCLAIMERS

This report is provided subject to various disclosures and disclaimers (the "Disclosures / Disclaimers") which form an integral part of this report and are available at the following link: https://research-api.uobkayhian.com/assets/disclaimer/3577668f-8366-496e-956a-51c70c621447 or by scanning the QR code below:

The Disclosures / Disclaimers contain important information, including without limitation, (a) exclusions of liability, (b) confidentiality obligations, (c) restrictions on publication, circulation, reproduction, distribution and use of the report, (d) potential conflicts of interest, and (e) disclosures and requirements specific to recipients in the United States and other applicable jurisdictions.

Specifically, this report is intended for general circulation and informational purposes only and does not take into account the specific investment objectives, financial situation, or particular needs of any individual person. It is not intended to constitute personal investment advice or a recommendation to buy or sell any investment product or security. You should independently evaluate the information and, where necessary, seek advice from a qualified financial adviser regarding the suitability of any investment, taking into account your specific objectives, financial situation and needs, before making any investment decision. Analyst certifications required under applicable regulations, including SEC Regulation AC (where relevant), are included in this report.

Recipients of this report must carefully read, review and understand the full Disclosures / Disclaimers before using or relying on any information in this report. By accessing, receiving or using this report, you acknowledge and confirm that you have read, understood, accepted and agreed to be bound by the Disclosures / Disclaimers (as may be amended or updated from time to time) in full."